

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE NORTHERN DISTRICT OF OKLAHOMA**

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In re: : **Chapter 11**
:
AUSTEX OIL, LTD, : **Case No. 19-11138**
an Australian corporation, :
:
Debtor. :
:
----- X

----- X
In re: : **Chapter 11**
:
AUSTEX HOLDCO, LLC, : **Case No. 19-11139**
an Oklahoma limited liability company, :
:
Debtor. :
:
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In re: : **Chapter 11**
:
INTERNATIONAL ENERGY : **Case No. 19-11140**
HOLDING COMPANY, LLC, :
an Oklahoma limited liability company, :
:
Debtor. :
:
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In re: : **Chapter 11**
:
INTERNATIONAL ENERGY, LLC, : **Case No. 19-11141**
an Oklahoma limited liability company, :
:
Debtor. :
:
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In re: : **Chapter 11**
:
INTERNATIONAL ENERGY : **Case No. 19-11142**
COMPANY, LLC, an Oklahoma :
limited liability company, :
:
Debtor. :
:
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In re: : **Chapter 11**
:
INTERNATIONAL ENERGY : **Case No. 19-11143**
CORPORATION, an Oklahoma :
corporation, :
:
Debtor. :
:
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In re: : **Chapter 11**
:
INTERNATIONAL PROPERTIES : **Case No. 19-11144**
PARTNERS, LLC, :
an Oklahoma limited liability company, :
:
Debtor. :
:
-----X

In re: : **Chapter 11**
:
INTERNATIONAL OIL & GAS, LLC, : **Case No. 19-11145**
an Oklahoma limited liability company, :
:
Debtor. :
:
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**DECLARATION OF RICHARD ADREY IN
SUPPORT OF CHAPTER 11 FILINGS**

Attached hereto is the Declaration of Richard Adrey in Support of Chapter 11 Filings.

MCDONALD & METCALF, LLP

/s/ Gary M. McDonald

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**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE NORTHERN DISTRICT OF OKLAHOMA**

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In re:	:	Chapter 11
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AUSTEX OIL, LTD,	:	Case No. 19-11138
an Australian corporation,	:	
	:	
Debtor.	:	
	:	

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In re:	:	Chapter 11
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AUSTEX HOLDCO, LLC,	:	Case No. 19-11139
an Oklahoma limited liability company,	:	
	:	
Debtor.	:	
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In re:	:	Chapter 11
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INTERNATIONAL ENERGY	:	Case No. 19-11140
HOLDING COMPANY, LLC,	:	
an Oklahoma limited liability company,	:	
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Debtor.	:	
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In re:	:	Chapter 11
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INTERNATIONAL ENERGY, LLC,	:	Case No. 19-11141
an Oklahoma limited liability company,	:	
	:	
Debtor.	:	
	:	

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In re:	:	Chapter 11
	:	
INTERNATIONAL ENERGY	:	Case No. 19-11142
COMPANY, LLC, an Oklahoma	:	
limited liability company,	:	
	:	
Debtor.	:	
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In re:	:	Chapter 11
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INTERNATIONAL ENERGY CORPORATION, an Oklahoma corporation,	:	Case No. 19-11143
	:	
Debtor.	:	

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In re:	:	Chapter 11
	:	
INTERNATIONAL PROPERTIES PARTNERS, LLC, an Oklahoma limited liability company,	:	Case No. 19-11144
	:	
Debtor.	:	

-----X

In re:	:	Chapter 11
	:	
INTERNATIONAL OIL & GAS, LLC, an Oklahoma limited liability company,	:	Case No. 19-11145
	:	
Debtor.	:	

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**DECLARATION OF RICHARD ADREY IN
SUPPORT OF CHAPTER 11 FILINGS**

I, Richard Adrey, declare and state as follows, pursuant to 28 U.S.C. § 1746:

INTRODUCTION

1. I am member of the Board of Directors of AusTex Oil, Ltd. (“AusTex Oil”), and have been a founding member of that Board since 2007 and a founder of International Energy Corporation since March of 2006. I am a member and manager of each of AusTex Oil’s direct and indirect subsidiaries (separately described hereinafter but collectively referred to as “Oklahoma Debtors”), all of which are Debtors in the above-referenced Chapter 11 cases. The term “Debtors”

shall refer to AusTex Oil and the Oklahoma Debtors collectively. In these capacities, I am familiar with the Debtors' affairs, books and records.

2. Except as otherwise indicated, all matters set forth in this declaration are either based upon my personal knowledge, information supplied to me by others employed by the Debtors, my review of relevant documents, my opinions based upon experience and knowledge of the Debtors' operations and financial condition, or any combination thereof.

3. This declaration is intended to provide a summary overview of the Debtors and these Chapter 11 cases. This Declaration also describes the Debtors' business, capital structure, and business, as well as the events that precipitated these Chapter 11 cases, and other information relevant to the Debtors.

GENERAL BACKGROUND

4. These cases have been commenced to establish a procedure and process before the Bankruptcy Court for all the assets of the Debtors to be committed toward payment of all of the respective Debtors' creditors in an organized, efficient, and consistent manner to assure that all creditors have an opportunity to establish their claims against the respective Debtors. This process will allow for equitable distribution of the assets of the Debtors, and avoid piecemeal litigation. It assures that the claims of all creditors of the Debtors are fairly treated and that creditors receive distributions in accordance with the priority scheme established by governing agreements and consistent with the Bankruptcy Code. These cases bring before this Court all assets of the Debtors, and all claims of creditors for administration. Traditional general unsecured trade or other debt do not represent a sizeable portion of the dollar volume of claims asserted against the Oklahoma Debtors. The substantial amount of claims against the Debtors, and each of them, are asserted in pending litigation either (i) by parties claiming rights against AusTex Oil under a Subscription

Agreement, which is discussed in detail below, and against the Oklahoma Debtors as guarantors of such debt, or (ii) through Earthquake Litigation claims, which are also discussed in more detail. The determination by this Court of these claims in these bankruptcy cases will provide consistent results, and resolution of all claims. Debtors believe the resolution of these matters will be more efficient and less expensive in a bankruptcy case.

5. AusTex Oil was founded in 2007, and is a publicly traded oil and gas company listed on the Australian Securities Exchange (the “ASX”) under the symbol “AOK.” AusTex Oil operates in the United States through its wholly owned subsidiaries, the Oklahoma Debtors, each of which is organized under laws of Oklahoma and headquartered in Tulsa, Oklahoma. Attached hereto as Exhibit “A” is a chart depicting AusTex Oil and the Oklahoma Debtors and their relationships to each other.

6. AusTex Oil maintains its offices in Australia. It has no employees, and its current activities are limited to ensuring compliance with ASX regulations and complying with any related reporting requirements and other administrative functions. These functions are performed through AusTex Oil’s Board of Directors, along with support from contractors and professionals retained by AusTex Oil. The AusTex Oil Board of Directors has authorized AusTex Oil to file a Chapter 11 petition before this Court, and to initiate proceedings through appropriate action under Australian law, to obtain a determination that the United States Bankruptcy filing is to be the main proceeding for determination of AusTex Oil’s affairs. Other companies with similar structures have taken such approach without dispute. *See In re Buccaneer Resources, et al.*, Case No. 14-60041(DRJ) (Bankr. S.D. Tex.) (Australian public holding company with U.S. subsidiaries filing Chapter 11 petition with recognition proceedings in Australia).

7. The Debtors' business consisted of oil and gas exploration, development, and production primarily from the Mississippian formation in Oklahoma and Kansas, and operations of owned oil and gas interests. As set forth in more detail below, the Debtors have completed marketing and sale of substantially all their oil and gas assets, operating assets, and properties prior to filing these Chapter 11 cases through an organized program designed to monetize the assets. At its zenith, the Debtors had interests in approximately 13,000 net acres, produced oil and gas from approximately 125 wells, and generated 1,300 barrels of oil equivalent per day ("BOE/d").

8. Each of the Oklahoma Debtors has conducted business as a separate entity, and has maintained a separate corporate identity, separate books and funds, and separate accounting records. A general description of each is as follows:

Name	General Description of Business
AusTex Holdco, LLC (Oklahoma limited liability company)	As part of an overall internal reorganization for the Oklahoma Debtors in October of 2014 ("2014 Reorganization"), AusTex Holdco was formed as a "super holding company" for all of its subsidiaries for consolidation auditing purposes. The membership interests are held 100% by AusTex Oil Ltd, an Australian public company that has previously traded in United States as American Depositary Receipts ("ADRs") under the symbol ATXDY.
International Energy Holding Company, LLC (Oklahoma limited liability company)	Pursuant to the 2014 Reorganization, International Energy Holding Company, LLC was formed to be the holding company that would own the Oklahoma Debtors that owned or operated oil and gas assets. International Energy Holding Company, LLC's membership interests are 100% owned by AusTex Holdco, LLC.
International Energy Company, LLC (Oklahoma limited liability company)	Formed under the 2014 Reorganization to own and/or lease and operate certain oil and gas assets subsequently acquired primarily in Kay County, Oklahoma. International Energy Company, LLC's membership interests are 100% owned by International Energy Holding Company, LLC. International Energy Company, LLC was one of the primary income producing companies along with International Energy Corporation and International Energy, LLC. From an

	accounting perspective all income and expenses were passed through to owners.
International Energy Corporation (Oklahoma corporation) ¹	<p>The initial entity formed in 2006 that owned some producing leases and licensed technology that was merged into AusTex Oil, Ltd. for further capitalization. In the 2014 Reorganization, two affiliates of AusTex Oil, International Energy Corporation of Northern Oklahoma and International Energy Corporation (Kansas) were merged into this company.</p> <p>The company owned and operated approximately half of the total producing assets of the Oklahoma Debtors and was bonded and approved to operate in Oklahoma and with the Bureau of Indian Affairs. It also owned most of the vehicles and equipment used in operations. International Energy Corporation sold substantially all of its producing Kay County assets and some equipment to SNR Northern Oklahoma Operating, LLC in a transaction that closed on October 31, 2018.</p> <p>International Energy Corporation is a direct subsidiary of International Energy Holding Company, LLC, that owns 100% of the membership interests.</p>
International Energy, LLC (Oklahoma limited liability company)	<p>Formed in the 2014 Reorganization to lease potential drilling locations and own the resulting wells primarily in Kay County, Oklahoma. International Energy, LLC had producing properties that were sold to SNR Northern Oklahoma Operating, LLC in a transaction that closed on October 31, 2018.</p> <p>International Energy, LLC is a subsidiary of International Energy Holding Company, LLC that owns 100% of the membership interests.</p>
International Properties Partners, LLC (Oklahoma limited liability company)	Formed in 2016 to acquire a 50% ownership in a building and certain surface rights in conjunction with the acquisition of properties primarily located in Creek, Lincoln, and Payne Counties in Oklahoma. International Properties Partners, LLC's assets were sold with the exception of one building in Drumright, Oklahoma.

¹ Two other subsidiaries merged into International Energy Corporation in September 2014 and no longer exist as stand-alone entities.

	International Properties Partners, LLC is a subsidiary of International Energy, LLC that owns 100% of the membership interests.
International Oil & Gas, LLC (Oklahoma limited liability company)	<p>Formed in 2016 to acquire a 50% operating interest in leases and other producing properties primarily located in Creek, Lincoln, Payne, Tulsa and Pawnee Counties in Oklahoma. All of these producing assets along with surface rights and some equipment were sold to raise cash subsequent to the litigation in New York beginning in March of 2018.</p> <p>International Oil & Gas, LLC is a subsidiary of International Energy LLC that owns 100% of the membership interests.</p>

9. For the reasons noted below, beginning in 2017 the Oklahoma Debtors engaged in the process of marketing for sale their oil and gas properties and operations in a commercially reasonable manner, and were assisted by Meagher Energy Advisors (“Meagher”), an independent professional consulting and brokerage firm, which provides services in oil and gas acquisitions and divestiture. The marketing efforts continued through January 2019. Sales of oil and gas operations and oil and gas assets of the Oklahoma Debtors have now been substantially completed. In the aggregate, these divestitures netted in excess of \$16 million.

10. As of the date of this declaration, none of the Oklahoma Debtors owe any secured debt. It is estimated that the aggregate trade debt is approximately \$285,000. The alleged claims of Preferred Shareholders are in excess of \$32 million against AusTex Oil and guaranteed by the Oklahoma Debtors. The claims involved in the Earthquake Litigation are speculative and undetermined.

11. The Oklahoma Debtors have no ongoing oil and gas business operations and have no full time employees.

DEBTORS’ CAPITAL STRUCTURE

12. AusTex Oil’s capital structure is:

Issued and Outstanding Ordinary Stock: 563,821,402

Issued and Outstanding Preferred Shares Series A: 111,352,483

Issued and Outstanding Preferred Shares Series B: 108,913,225

Pursuant to the sale of Preferred Shares in October 2013, 58,942,656 Preferred Shares were issued as Series A with an aggregate purchase price of \$8,841,398 and 57,724,011 Preferred Shares were issued as Series B with an aggregate purchase price of \$8,658,602. The Preferred Shares were sold pursuant to a written Subscription Agreement (including all of the exhibits) which established the rights of AusTex Oil and holders of such Preferred Shares.

13. The holders of Preferred Shares are as follows:

Series A Holder	Number of Shares	Percentage of Ownership
Weider Health & Fitness	13,108,476	11.787%
Ptolemy Energy Holdings, LLC	98,248,007	88.213%

Series B Holder	Number of Shares	Percentage of Ownership
Weider Health & Fitness	12,048,974	11.06%
Bruce Forman	2,515,804	2.31%
Young Capital Management	6,100,443	5.60%
Ptolemy Energy Holdings, LLC	88,248,007	81.03%

14. In addition to the funds raised by sale of Common Stock (Ordinary Shares) and Preferred Shares, on November 8, 2013 AusTex Oil obtained a credit facility at Macquarie Bank with an initial lending limit of \$20 million and a capacity of up to \$60 million subject to Bank review and approval. These funds were available to Debtors to fund the acquisition, operations, and development of oil and gas production. This obligation was paid in full by the Debtors prior in 2017.

15. The Subscription Agreement provided that AusTex Oil subsidiaries would execute and deliver a Subsidiary Guarantee to the holders of Preferred Shares.

16. On October 13, 2013, International Energy Corporation and two other subsidiaries² executed and delivered a Subsidiary Guarantee to the Preferred Shareholders. On January 29, 2018, AusTex Holdco, LLC, International Energy Holding Company, LLC, International Oil & Gas, LLC, International Properties Partners, LLC, International Energy, LLC, and International Energy Company, LLC, executed and delivered Subsidiary Guarantees.

17. In or about mid-2016, AusTex Oil, through the Oklahoma Debtors, unsuccessfully sought to acquire \$90 million of oil and gas assets from a large Oklahoma based exploration and production company with the financial backing of Ptolemy. With Ptolemy's financial backing the Oklahoma Debtors also sought other acquisitions in Oklahoma, Kansas, and Colorado.

PENDING LITIGATION

A. Preferred Shareholder Litigation Against the Debtors

18. On March 23, 2017, Weider Health & Fitness ("Weider") and Bruce Forman ("Forman"), Weider's Executive Vice President, two of the holders of Preferred Stock (Weider owns Series A and B Shares and Forman only Series B), commenced an action in the United States District Court for the Southern District of New York ("District Court") styled *Weider Health and Fitness and Bruce Forman v. AusTex Oil Limited, an Australian entity, International Energy Corporation, an Oklahoma corporation, International Energy Corporation of Northern Oklahoma, and International Energy Corporation (Kansas), a Kansas corporation*, Case No. 17-CV-02089 ("Weider Action") alleging that AusTex Oil had breached the Subscription Agreement. AusTex Oil and International Energy Corporation dispute the claim and have vigorously defended the action. International Energy Corporation was named as a defendant in this action based upon

² These two other subsidiaries merged into International Energy Corporation in the 2014 Reorganization and no longer exist as stand-alone entities.

its Subsidiary Guarantee, together with the two other entities which had been merged into International Energy Corp. in 2014.

19. Weider, as illustrated above, is the holder of approximately 11.78% in Series A and 11.06% in Series B of the outstanding Preferred Shares issued by AusTex Oil. Mr. Forman is the holder of 2.31% of the Series B Preferred Stock. Combined, Weider and Forman hold a minority position of approximately 11.78% of Series A Preferred Shares and 13.37% (combined) of Series B Shares of AusTex Oil. None of the other Preferred Shareholders have joined the Weider Action or commenced similar litigation. However, the other Preferred Shareholders elected to demand payment of their claims as Preferred Shareholders after the filing of the Weider Action. The total demands of the Preferred Shareholders is in excess of \$32 million.

20. As a direct result of the Weider Action, Macquarie Bank notified AusTex Oil on or about July 2017 that it determined not to renew the AusTex Oil credit facility at maturity. This required a payment of \$20,000,000 on October 15, 2017 to retire the Maquarie Note, and left AusTex Oil and the Oklahoma Debtors with limited working capital.

21. The Weider Action effectively eliminated AusTex Oil's ability to market common or preferred shares as a means of raising capital, and effectively ended the ability of AusTex Oil to access financial support from Ptolemy to fund acquisitions or development.

22. The ASX suspended trading of AusTex Oil shares on or about August 15, 2018.

B. Earthquake Litigation

23. International Energy Corporation is a named defendant in several actions filed against dozens of operators of oil and gas properties in Oklahoma in various Oklahoma District Courts as noted below, which assert claims arising from earthquakes to which International Energy Corporation was alleged to be a cause. International Energy Corporation vigorously denies the

claims in the following lawsuits alleging that the disposal of wastewater into injection wells caused earthquakes that damaged the plaintiffs' properties:

- *Caldwell, et al. v. Berexco LLC, et al.*, Case No. CJ-2018-499 in Payne County;
- *Cooper, et al. v. Berexco LLC, et al.*, Case No. CJ-2018-500 in Payne County;
- *Navrath, et al. v. Berexco, LLC, et al.*, Case No. CL-2018-1401 in Lincoln County;
- *Kelley, et al. v. Berexco LLC, et al.*, Case No. CJ-2018-56 in Adair County;
- *Nelson, et al. v. Berexco, LLC, et al.*, Case No. CJ-2018-5140 in Oklahoma County;
- *Jones, et al. v. Berexco, LLC, et al.*, Case No. CJ-2018-5141 in Oklahoma County;
- *Oravetz, et al. v. Berexco, LLC, et al.*, Case No. CJ-2018-5142 in Oklahoma County;
- *James, et al. v. Berexco, LLC, et al.*, Case No. CJ-2018-5143 in Oklahoma County;
- *Steele, et al. v. Berexco, LLC, et al.*, Case No. CJ-2018-5144 in Oklahoma County;
- *Bonar, et al. v. Berexco, LLC, et al.*, Case No. CJ-2018-5145 in Oklahoma County;
- *Harvey, et al. v. Berexco, LLC, et al.*, Case No. CJ-2018-5146 in Oklahoma County;
- *Butler, et al. v. Berexco, LLC, et al.*, Case No. CJ-2017-463 in Payne County, Oklahoma;
- *Abbas Movlai, et al., v. Berexco, LLC, et al.*, Case No. CJ-2018-201 in Logan County, Oklahoma;
- *Benny A. Owen, et al., v. Berexco, LLC, et al.*, Case No. CJ-2018-45 in Atoka County, Oklahoma;
- *Leroy Peters, et al., v. Berexco, LLC, et al.*, Case No. CJ-2018-05139 in Tulsa County, Oklahoma;
- *Dorothy Dooley, et al., v. Berexco, LLC, et al.*, Case No. CJ-2018-05141 in Tulsa County, Oklahoma; and
- *Robert Mallett, et al., v. Berexco, LLC, et al.*, Case No. CJ-2018-203 in Logan County, Oklahoma.

24. These cases are in the preliminary stages with no discovery as to International Energy Corporation and no trial dates set. Indeed, certain of these lawsuits have only recently been served on International Energy Corporation.

DEBTORS' EFFORTS TO ADDRESS CREDITOR CLAIMS

25. In an orderly process which spanned a period from October 2017 through January 2019, the Debtors, under my management and direction, proceeded with the commercial marketing of their respective oil and gas interests to third party purchasers, assisted by Meagher.³ Throughout the process, the resulting sale proceeds, less operating costs, were set aside to create a fund to address creditor claims, and were not expended.

26. Upon conclusion of the sales, the Debtors began to determine the most efficient procedure for all funds to be made available to pay creditor claims in an orderly proceeding assuring fair distribution to all creditors.

27. After careful review of the circumstances, the Debtors considered pursuing a federal court interpleader action in the United States District Court for the Northern District of Oklahoma. Approximately, \$14,500,000 was proposed to be deposited to pay the asserted claims, in accordance with the priority to which each claim was entitled under the document or transaction creating the claim. That process was preferred as it established one place for all creditors to determine claims, and for the deposit of the accumulated funds of the Debtors.

28. On January 31, 2019, AusTex Oil approved a resolution authorizing the commencement of a federal court interpleader action in the United States District Court for the Northern District of Oklahoma.

³ After these sales, there remain only various and sundry assets that require liquidation, including but not limited to a fifty percent interest in a commercial building located in Drumright, Oklahoma, owned by International Properties Partners, LLC, and certain oil and gas field equipment owned by International Energy Corporation.

29. On February 12, 2019, AusTex Oil and International Energy Corporation advised the District Court in the Weider Action that their principal assets had been monetized. In a filing on or about February 19, 2019, AusTex Oil and International Energy Corporation advised the District Court that they were considering initiating a federal court interpleader action in the United States District Court for the Northern District of Oklahoma, naming all creditors and preferred shareholders to determine claims in all funds.

30. On February 19, 2019, the District Court issued an order (“Escrow Order”) which mandated the escrow of funds by AusTex Oil and International Energy Corporation for the benefit of Weider and Forman. International Energy Corporation and AusTex Oil complied with the Escrow Order on March 6, 2019, by depositing \$7,309,276 from sale proceeds into an Escrow Account with a third-party financial institution.

31. Though no Weider Claim has been determined, the net effect of the Escrow Order is to set aside \$7,309,276 of the approximate \$16 million of the Oklahoma Debtors, for Weider and Forman. Thus, approximately 46% of all funds held by the Oklahoma Debtors has been set aside for claims of holders of Preferred Shares whose interests approximate 11.78% of Series A Preferred Shares (Weider) and 13.37% of Series B Preferred Shares (Weider and Forman) of the issued Preferred Shares. The rights of all Preferred Shareholders arise from common transactions under identical and contemporaneous circumstances and documents and as such all are entitled to share in any recovery *pari pasu*, absent specific defenses against any such claim(s).

32. Absent the filing of these Chapter 11 cases, the Escrow Order would impair the Debtors’ ability to achieve equality of distribution to all creditors, assuming it remained after appeal to the Second Circuit, which is pending.⁴

⁴ The Escrow Order precluded the efficacy of a federal court interpleader action.

33. Trial in the Weider Action is currently set for December 2019. Weider's and Forman's Preferred Share interests represent a small minority interest of issued shares of approximately 11.78% of Series A Preferred Shares and 13.37% of Series B Shares of AusTex Oil. No other Preferred Shareholders or Oklahoma Debtors, other than International Energy Corporation, are parties to the Weider Action. Trial in the Weider Action will not resolve claims of holders of approximately 88% of the holders of Preferred Shares.

DEBTORS' NEED FOR BANKRUPTCY RELIEF

34. In light of the events noted above, the Debtors have been severely impaired and do not have the ability to pay all lawful obligations in full. As a result, the Debtors have elected to file voluntary petitions for relief under Chapter 11 of the Bankruptcy Code.

35. Weider's and Forman's pursuit in the Weider Action seeks to recover for them a disproportionately large recovery on their claims to the detriment of the Oklahoma Debtors' other creditors.

36. The Debtors' Chapter 11 cases will stop any race to the courthouse to dismember the Debtors' assets, and allow for all property of the Debtors to be protected from levy or execution to the benefit of all creditors, and ensure that creditors and shareholders receive a pro rata share of these assets according to the priorities set forth in governing agreements and the Bankruptcy Code and avoid possibility of conflicting determinations.

37. In addition, the International Energy Corporation filing will free up the attachment of \$7,309,276 held in an Escrow Account for the Weider Action to assure that no creditor receives a disproportionate claim payment and that funds are available for all creditors as appropriate under the Bankruptcy Code.

38. The Debtors intend to promptly file a proposed Chapter 11 plan of liquidation and ascertain the nature and extent of all lawful claims to ensure the prompt distribution of funds to creditors and interest holders.

I declare under penalty of perjury that the following is true and correct.

Executed this 3rd day of June, 2019, at Tulsa, Oklahoma.


Richard A. Adrey

EXHIBIT A

